

PART 344—REGULATIONS GOVERNING UNITED STATES TREASURY CERTIFICATES OF INDEBTEDNESS, TREASURY NOTES, AND TREASURY BONDS—STATE AND LOCAL GOVERNMENT SERIES

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APPENDIX A TO PART 344—EARLY REDEMPTION MARKET CHARGE FORMULAS AND EXAMPLES FOR SUBSCRIPTIONS FROM SEPTEMBER 1, 1989, THROUGH OCTOBER 27, 1996

APPENDIX B TO PART 344—FORMULA FOR DETERMINING REDEMPTION VALUE FOR SECURITIES SUBSCRIBED FOR AND EARLY-REDEEMED ON OR AFTER OCTOBER 28, 1996

AUTHORITY: 26 U.S.C. 141 note; 31 U.S.C. 3102.

SOURCE: 61 FR 55693, Oct. 28, 1996, unless otherwise noted.

Subpart A—General Information

§ 344.0 Offering of securities.

(a) In order to provide issuers of tax exempt securities with investments from any amounts that constitute gross proceeds of an issue or any other amounts which assist an issuer of tax-exempt bonds in complying with applicable provisions of the Internal Revenue Code relating to such tax exemption, the Secretary of the Treasury offers for sale the following State and Local Government Series securities:

(1) Time deposit securities:

(i) United States Treasury Certificates of Indebtedness,

(ii) United States Treasury Notes, and

(iii) United States Treasury Bonds.

(2) Demand deposit securities—United States Treasury Certificates of Indebtedness.

(b) As appropriate, the definitions of terms used in part 344 are those found in the relevant portions of the Internal Revenue Code and the tax regulations. The term “government body” refers to issuers of state or local government bonds described in section 103 of the Internal Revenue Code.

(c) The securities in paragraph (a) of this section are issued in a minimum amount of \$1,000, or in any larger amount, in increments of not less than \$1.00 for time deposit securities and in any increments over the \$1,000 minimum for demand deposit securities.

(d) This offering continues until terminated by the Secretary of the Treasury.

§ 344.1 General provisions.

(a) *Regulations.* United States Treasury securities—State and Local Government Series shall be subject to the general regulations with respect to United States securities, which are set forth in the Department of the Treasury Circular No. 300 (31 CFR part 306), to the extent applicable. Copies of the circular can be obtained from the Bureau of the Public Debt, Division of Special Investments—Room 309, 200 Third Street, P.O. Box 396, Parkersburg, WV 26102-0396.

(b) *Issuance.* The securities are issued in book-entry form on the books of the Department of the Treasury, Bureau of the Public Debt, Parkersburg, WV. Transfer of securities by sale, exchange, assignment, pledge, or otherwise is not permitted.

(c) *Transfers.* Securities held in an account of any one type, i.e., time deposit, demand deposit, or special zero interest, cannot be transferred within that account or to an account of any other type.

(d) *Fiscal agents.* Selected Federal Reserve Banks and Branches, as fiscal agents of the United States, can be designated to perform such services requested of them by the Secretary of the Treasury in connection with the

purchase of, transactions involving, and redemption of, the securities.

(e) *Authority of subscriber.* Where a commercial bank submits an initial or final subscription on behalf of a government body, it must certify it is acting under the latter's specific authorization. Ordinarily, evidence of such authority is not required. Subscriptions submitted by an agent, other than a commercial bank, must be accompanied by evidence of the agent's authority to act. Such evidence must describe the nature and scope of the agent's authorization, must specify the legal authority under which the agent was designated, and must relate by its terms to the investment action undertaken. Subscriptions unsupported by such evidence are not acceptable.

(f) *Impermissible transactions.* It is impermissible to subscribe for SLGS securities for deposit in a defeasance escrow or fund if, at any time between the close of business on the date of subscription and the close of business on the date of issue, the amount of SLGS securities subscribed for, plus the amount of other securities, if any, already in such escrow or fund, plus the amount of other securities the government body has acquired, or has the right to acquire for deposit in an escrow or fund, exceeds the total amount of securities needed to fund such escrow or fund. Securities held in the escrow or fund that are not subject to an agreement conditioned on changes in the interest rate on open market Treasury securities on or prior to the date of issue of the SLGS securities shall not be included in such computation. An adjustment in the subscription amount in accordance with 31 CFR 344.3(b)(3)(ii) will not in and of itself make the transaction impermissible.

(g) *Reservations.* Transaction requests, including requests for subscription and redemption, are not acceptable if unsigned, inappropriately completed, or not timely submitted. Any of these actions shall be final. The authority of the Secretary to waive regulations under 31 CFR 306.126 applies to part 344. The Secretary of the Treasury reserves the right:

(1) To reject any application for the purchase of securities under this offering;

(2) To refuse to issue any such securities in any case or any class(es) of cases; and

(3) To revoke the issuance of any security, and to declare the subscriber ineligible thereafter to subscribe for securities under this offering if the Secretary deems such action in the public interest and if any security is issued on the basis of an improper certification, other misrepresentations (other than as the result of an inadvertent error) or in an impermissible transaction as set forth in §344.1(f).

(h) *Debt limit contingency.* The Department of the Treasury reserves the right to change or suspend the terms and conditions of this offering, including provisions relating to subscriptions for, and issuance of, securities, interest payments, redemptions, and rollovers, as well as notices relating hereto, at any time the Secretary determines that the issuance of obligations sufficient to conduct the orderly financing operations of the United States cannot be made without exceeding the statutory debt limit. Announcement of such changes shall be provided by such means as the Secretary deems appropriate.

(i) *Noncompliance.* The penalty imposed on any government body which fails to make settlement on a subscription once submitted and not canceled timely shall be to render the government body ineligible thereafter to subscribe for securities under any offering in part 344 for a period of six months, beginning on the date the subscription is withdrawn or the proposed issue date, whichever occurs first.

(1) The penalty is imposed on the government body unless the government body provides the Tax Identification Number of a conduit borrower that is the actual party failing to make settlement of a subscription. If this number is provided for a conduit borrower, the conduit borrower shall be the entity on which the six-month penalty is imposed.

(2) The Division of Special Investments can determine to waive the six-month penalty, pursuant to the provisions governing the waiver of regulations set forth under 31 CFR 306.126. Where settlement occurs after the proposed issue date and the Division of

Special Investments determines, pursuant to 31 CFR 306.126, that settlement is acceptable on an exception basis, the six-month penalty will be waived and the government body shall be subject to a late payment assessment. The late payment assessment will equal the amount of interest that will have accrued on the securities from the proposed issue date to the date of settlement, as well as an administrative fee of \$100 per subscription. Assessments of late payment fees and administrative fees under part 344 are due on demand.

(j) *General redemption provisions.* A security can not be called for redemption by the Secretary of the Treasury prior to maturity. Upon the maturity of a security, the Department will make payment of the principal amount and interest due to the owner thereof. A security scheduled for maturity on a non-business day will be redeemed on the next business day.

(k) *Business or calendar days.* Unless otherwise noted, any reference herein to days refers to calendar days.

[61 FR 55693, Oct. 28, 1996, as amended at 62 FR 46445, Sept. 3, 1997]

Subpart B—Time Deposit Securities

§ 344.2 Description of securities.

(a) *Terms*—(1) *Certificates.* The certificates are issued with maturity periods fixed by the government body, from thirty days up to and including one year, or for any intervening period; provided, for certificates that bear no interest, the maturity period can be fixed by the government body from fifteen days up to and including one year or for any intervening period.

(2) *Notes.* The notes are issued with maturity periods fixed by the government body, from one year and one day up to and including ten years, or for any intervening period.

(3) *Bonds.* The bonds are issued with maturity periods fixed by the government body, from ten years and one day up to and including forty years, or for any intervening period; provided that for any subscription for a bond exceeding 30 years, the maximum available rate shall be the rate on a 30-year bond.

(b) *Interest rate.* Each security shall bear such rate of interest the government body designates, but the rate

shall not exceed the maximum interest rate. The applicable maximum interest rates for each day shall equal rates shown in a SLGS securities rate table, which is released by the Department to the public by 10:00 a.m., Eastern time, each business day. If the Department finds that due to circumstances beyond its control the rates are not available to the public by 10:00 a.m., Eastern time, on any given business day, the applicable interest for the last preceding business day shall apply. The applicable rate table for any subscription is the one in effect on the date the initial subscription is faxed, postmarked or carrier date stamped. The rates specified in the tables are five basis points below the then current estimated Treasury borrowing rate for a Treasury security of comparable maturity. These rates can be obtained:

(1) In the Commerce Department's Economic Bulletin Board;

(2) By contacting the Division of Special Investment's automated fax at (304) 480-7548;

(3) By calling the Division of Special Investments at (304) 480-7752; or

(4) On the Internet at <ftp://ftp.publicdebt.treas.gov/secrete.txt>

(c) *Payment.* (1) Interest computation and payment dates. Interest on a certificate is computed on an annual basis and is paid at maturity with the principal. Interest on a note or bond is paid semi-annually. The government body specifies the first interest payment date, which must occur any time between thirty days and one year of the date of issue, and the final interest payment date must coincide with the maturity date of the security. Interest for other than a full semi-annual interest period is computed on the basis of a 365-day or 366-day year (for certificates) and on the basis of the exact number of days in the half-year (for notes and bonds). See the appendix to subpart E of part 306 of this chapter for rules regarding computation of interest.

(2) *Method of payment.* Payment can be made by the Automated Clearing House method (ACH) for the owner's account at a financial institution designated by the owner. Redemptions prior to maturity are paid by Fedwire. To the extent applicable, provisions of